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The Persistent Issue of Fraud in the Public Housing Sector across the United States

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Opening Thoughts

The public housing sector and the idea of providing those who need assistance with housing has been around since President Ronald Reagan's days and even before that, with the New York Housing Act of 1879 (Martens, 2009), when industrial workers faced wretched housing conditions. Public housing in this nation has grown from just being provided for industrial workers and their families in major cities, such as New York and Chicago, to what it is today. Today, public housing is present all across the nation and is found in every state from Indiana to Maryland to California, Florida, Oklahoma, all over. Public housing can be available in very large cities and in smaller towns.

Public housing used to be thought poorly of, gaining the derogatory name of Section 8 housing. Public housing assistance can also be referred to as low-income housing, multi-family housing and subsidized housing and will be used interchangeably throughout this review of research. Public housing does not discriminate, it is not catered solely to people of one race or one religion, but can affect everyone from every race and religion, families large and small across the country. It has become more and more widespread as the income gap in the United States continues to grow every year. The funding for public housing comes solely from tax payer dollars and is given out to housing authorities and property management companies that properly applied for, and received, subsidized housing grants and tax credits.

The fact that public housing relies heavily upon taxpayer monies makes it an issue that every tax paying individual in the United States needs to be aware of. Sadly, there is a large amount of fraud in the public housing sector across the nation, and is present in every state. The fraud started long ago and has grown as fraudulent tenants, property management companies,

and construction and repair workers find new ways to defraud the government of limited tax payer money that is used to help the public housing crisis in this country. These forms of fraud can vary from criminal to criminal and there are safeguards in place. However, as with anything in this world, there are people who are able to find their ways around these safeguards and there are people who are willing to take advantage of tax money, and the government, over and over again without remorse. Public housing fraud is not just an issue in one central, location or one single state in this nation. It is widespread, from coast to coast, and is becoming an increasingly larger problem as time goes on.

It is currently unknown just how widespread the issue of fraud in the public housing sector is across this nation. More and more fraud cases are popping up every year and auditors are finding new ways to catch fraudsters, while still overlooking those who are being particularly sly. With the issue of not really knowing the exact amount of fraud occurring in this sector at the moment, it is also unknown how long some of these fraud schemes have been going on, and how long they will continue until things are finally ended. It is not easy to figure out just how many people are involved in the fraud schemes, where they got the knowledge to defraud the government, and if they taught any others around them or not. People cannot even be so certain that there are not potential auditors and government employees who are participating in fraudulent schemes or are receiving bribes and kickbacks in order to assist in hiding possible schemes. No accusations in this thesis are being made, theories are just simply being thoroughly investigated to inform the public of how serious the issue of fraud in the public housing sector truly has become.

The problem is that although it is known that there is fraud being committed daily in the public housing sector in this nation, it is unknown how widespread these fraud schemes have

become and where the most criminals are being captured in the country. Thus, this thesis is completed with the intent to thoroughly investigate fraud in the public housing sector across this nation, from many years before up until present day fraud schemes that are being discovered, albeit slowly. The research of the issue began solely with asking the question, just how widespread are instances of fraud in the public housing sector? The research for this question aimed solely at uncovering instances of fraud where criminals were caught across the nation – with no particular focus on any part of the country, but with a broad overview of the public housing assistance program as a whole. This first question led to a multitude of other questions such as are there safeguards to prevent fraud? What are some of the regulations in place to deter unethical decisions and instances of fraud in public housing? The research to answer these questions relied on exploring how the Housing of Urban Development sets out guidelines for public housing authorities across the nation, and how the government suggests housing authorities handle fraud. The Housing of Urban Development was not alone in having policies and safeguards in place, many of the individual public housing authorities in the states had their own guidelines for public housing assistance programs.

The questions continued and evolved into asking whether these instances of fraud increased or decreased over the last 10 years? Are there more cases in certain states than in others? This research correlated with the research from the first question of just how widespread the issue of fraud in public housing had become across the individual states. After seeing how far the fraud had reached, research was able to be conducted on just how recently there have been many more fraud schemes in public housing uncovered, and many more criminals being charged. Lastly, what can be done to fix any instances of fraud in the public housing sector? This question, too, required research directly from the Housing of Urban Development and journalists

who offered their personal views on how this unethical issue of fraud can be stopped in this nation.

All research was simply gathered from databases, previous research, and much more recently, news articles from journalists, reporting heavily on fraud schemes that had been exposed. The research dated back further than expected and it seemed that public housing fraud was a bigger issue than originally thought when the research had begun. A good portion of the most recent issues of fraud schemes being discovered happened late in the year 2015. In summary, public housing is an old program in this nation that faces danger of large fraudulent schemes from tenants and property management companies alike. The fraud is increasing almost daily it seems, and will continue to increase as criminals find their way around the safeguards and preventative measures that have been put in place.

Introduction

The federal government is a massive money transferring entity, spending billions of dollars every year from taxpayers on its over 1,800 federal subsidy programs – including Housing subsidies. The programs have been around for a long time in this nation and as a result, “Federal housing programs have long been a ripe target for fraud and abuse.” (Edwards & DeHaven, 2009). Fraud is defined “...as a criminal act in which individuals, groups, or businesses steal taxpayers’ monies from HUD [the Housing of Urban Development] and its programs.” (HUD, Fraud Prevention, 2005) Fraud that involves the theft of federal money from the Housing of Urban Development is strict abuse of HUD’s housing subsidy programs. The fraud can also include “...bribery, kickbacks, bid-rigging, embezzlement and false claims...” (Office of Inspector General) Fraud in such a large government program is very harmful to this nation as a whole. These instances of fraud that occur “...ultimately affect the tenants because

funds intended to improve their living conditions are diverted for the personal gain of others.”

(Office of Inspector General)

“According to data from the Center on Budget and Policy Priorities, over 2.3 million Americans live in public housing complexes. Two-thirds of public housing residents are elderly or disabled.” (Edwards C. , n.d.) Public housing presents problems for both the residents of the housing complexes and the communities around them – especially when there are major fraud schemes involved. Public housing in this country involves an extremely hefty amount of tax dollars, opening up the system to a higher level of public scrutiny, especially in the cases where fraud is discovered (Atlas & Dreier, 1994). Tax dollars help to fund the Housing Credit tax reform, a large economy stimulus, providing approximately \$3.5 billion in taxes and other revenues every year while helping to create over \$100 billion in private capital that can be attributed to helping the public housing sector across the country (Cadik, 2015).

Due to being in control of the tax credits and subsidy programs, the federal government has sole responsibility over the allocation of monies to public housing authorities across the nation. However, due to an increasingly high number of public housing authorities, the federal government no longer keeps an accurate record of how all the funds are being used across the nation. “A 2009 report by the U.S. Government Accountability Office states that the PHAS (Public Housing Assessment System) often overlooks mismanagement of federal funds due to the fact that it only reviews the efficiency of the overall program rather than the allocation of funds.” (Edwards & DeHaven, 2009) This example of the federal government slacking in keeping an accurate record of how housing funds are dispersed across the nation lead to the question of just how widespread the issue of fraud in public housing really is in this country.

How widespread are instances of fraud in the public housing sector?

To clarify, instances of fraud in the public housing sector can be committed by both the residents in the housing system, the landlords who own the properties and the property management companies that oversee many public housing properties at one time. The issue of fraud in the public housing sector is not to be blamed on one group of individuals, it is a collective effort. “Tenants make false claims to gain eligibility for rental subsidies and local public housing authorities have often abused these federal monies.” (Edwards & DeHaven, 2009) To start with the public housing system residents, these false claims can include under stating their income, over stating their family size in need, or the alteration of official documents with the intent to commit unethical and fraudulent acts (HUD, Fraud Prevention, 2005). The instance of fraud in which borrower income was severely under stated on loan applications is prominent in the public housing sector (Prevost, 2015). Resident false claims of eligibility and failure to disclose actual family size in need of assistance can include instances where additional roommates, and subsequently their additional income, are not listed on public housing forms. Such was the case in Burnsville, Minnesota where a tenant is facing charges for defrauding the Dakota County Community Development Agency of over \$6,000 for failure to report an additional roommate living with her and his additional income (Powell, 2010).

As previously stated, it is not just the residents of the public housing system who are solely responsible for the issues of fraud in the system. Public Housing Authorities have become well known in recent years for their terrible mismanagement, with large amounts of corruption and an increasing amount of resource, mainly money, wasting. There are also the issues where those who are directly employed by the government are also fraud perpetrators. “HUD-assisted

rental housing employees who engage in bribery, contract bid rigging, embezzlement, or who alter, forge or destroy records are committing fraud.” (HUD, Fraud Prevention, 2005)

A large issue that has recently made itself known in 2015 is the issue where there are an increasing amount of public housing residents across the nation who are making more income annually than what the housing system income limits are set at. “The Office of Inspector General (OIG) found over 25,000 families who earned too much money to qualify for subsidized apartments, which will cost taxpayers \$104.4 million this year.” (Harrington, 2015) Public housing assistance has provided approximately 25,226 families with housing assistance whose annual household income levels exceeded the 2014 eligibility by the Housing of Urban Development (HUD). Many of these families earned more than the eligibility amount for well over a year, while families who actually qualified for public housing continued to sit on a waiting list, in dire need of assistance. “Of the 25,226 families identified, 47 percent earned at least \$10,000 more than the income limit, and 70 percent lived in subsidized housing for more than a year.” (Harrington, 2015) “...the Department of Housing and Urban Development describes...[these] more than 25,000 other ‘over income’ families earning more than the maximum income for government subsidized housing as an ‘egregious’ abuse of the system.” (Rein, A family in public housing makes \$498,000 HUD wants them to stay., 2015)

The instances of over income families have continued to become well known and made it a very popular form of public housing assistance fraud. “A millionaire in Oxford, Nebraska has been able to live in low-income housing since 2010. The monthly rent is \$300.” (Harrington, 2015) The low-income threshold is \$33,500 in Oxford while this millionaire mentioned above has assets valued at nearly \$1.6 million, including stocks, real estate, retirement accounts and a checking account with a balance of \$334,637. There was a similar resident fraud case in West

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Palm Beach Florida involving over \$400,000 in federal housing benefits resulting in 21 people being charged with grand theft, public assistance fraud and organized fraud. The charges were brought about after multiple families involved in public housing were found to be fraudulently disclosing the amount of people in the housing, whether the residents had previous criminal or drug charges, and the improper disclosure of the annual income, which in many cases was above the threshold to qualify for public housing assistance. "...Palm Beach County Sheriff's offices launched the investigation to protect public housing residents from criminals and to stop those who fraudulently received housing benefits..." (Seltzer, 2011) It has also been uncovered that there were "Sixty-four families who live in public housing in Baltimore earn more money than is permitted by the program's income eligibility requirements..." (Fritze, 2015). When combined, these sixty four families were earning almost \$800,000 over the income limitations placed on the public housing assistance program in Maryland. Some families were merely a few hundred dollars over while one family was over \$80,000 over the income limit. The families overall average was around \$12,500 over the income limit (Fritze, 2015). Other similar fraud cases include New York City, where a family of four made almost \$500,000 per year, but were paying merely \$1,500 a month rent to live in a three-bedroom apartment, in the public housing system, subsidized by taxpayers. It was also recently discovered that in Los Angeles, a five person family had been residing in the public housing system since 1974, currently making over \$200,000 a year while paying a little over \$1,000 a month for a four bedroom apartment that is subsidized by taxpayers (Rein, A family in public housing makes \$498,000 HUD wants them to stay., 2015). These examples of the cases in Minnesota, Nebraska, Florida, Maryland, New York City, and Los Angeles emphasize how popular it is for residents of the public housing system to defraud the system by lying about their income and the true amount of assistance needed.

Fraud in the public housing system doesn't stop at residents under stating their income, the construction of public housing complexes also bring out an opportunity for fraudulent acts to be committed. Three individuals in southern Florida were charged with \$10 million government fraud involving low-income housing developments in Miami, Florida. The "...three defendants are in a joint investigation of individuals who fraudulently obtained federal money and property in connection with the construction of low-income housing developments in Miami-Dade County." (U.S. Attorney's Office, 2015) These charges included conspiracy to commit a theft of government money, actual theft of government money, money laundering and obstruction of justice. Sadly, this fraud scheme involved developments for the elderly and low-income or homeless individuals in Miami-Dade County. Those involved "...conspired to defraud the federal government in order to embezzle, steal and convert to their own federal use tax credits and funds." (U.S. Attorney's Office, 2015) As a result, these criminals took away money that could have been properly used to help those in need. The "...Florida Housing Finance Corporation (FHFC) issued federal tax credits and grant monies to developers for the construction of low-income housing...to obtain these federal funds, FHFC required developers to submit proposed development costs, including a construction contract signed by the developer and contractor...the defendants conspired to unjustly enrich themselves by fraudulently inflating the costs of the construction contracts in order to obtain excess federal funds...then use the proceeds for their own personal use and benefit." (Service, 2015)

This thoroughly detailed and thought out fraudulent scheme resulted in the Florida Housing Finance Corporation using fraudulent contracts to determine the amount of federal tax credits, allocating an excess of \$10 million in tax credits and government money to the project (U.S. Attorney's Office, 2015). The fraud scheme itself had begun in 2007 and continued into

2012, where fraudulently inflated construction contracts were submitted multiple times, allowing excess government funds to be kicked back to those who fashioned the scheme in the first place. During the initial investigation, more than \$10 million was recovered from the defendants (Service, 2015). But as the investigation went on, more defendants in the case were brought forward and the amount of money shot up from \$10 million to over \$36 million. In general, “The Low Income Housing Tax Credit (LIHTC) was created to encourage investment and is an important resource for creating affordable housing in South Florida. LIHTCs were not intended to be a vehicle for get-rich-quick kickback schemes...” (Service, 2015) but unfortunately, such situation is the case with this extremely large fraud case in Southern Florida.

The landlords not only commit fraud through fraudulent contracts and excess government monies, they also commit fraud in renovating apartment complexes. Such is the case in New York City, where two landlords were charged with a total of seven crimes that included fraud, submitting false documents, grand larceny, unlawful eviction and burglary. The landlords told their tenants they were going to be redoing rooms throughout the apartments, such as kitchens and baths, then forced the residents to live without these amenities for years, taking the money that was intended for renovations and keeping it for themselves. This case resulted in some tenants living without running water for almost two full years. The landlords are finding ways to force contractors who were “hired” to fix apartments to sign off on the jobs as if they are completed, even though they aren’t, in some cases receiving a kickback of the funds that the government allocates for the renovations (Gibson, 2015).

Another case of fraud involving property renovations occurred when “The Department of Housing and Urban Development provided a \$9.4 million loan guarantee to renovate an apartment complex in Colorado Springs, Colorado, eight months after the owner convinced the

county to value the complex at just \$3.8 million....” (Kane, 2015) The property had been previously foreclosed on in 2012 and it is estimated that the Housing of Urban Development lost almost \$4.5 million on the original deal, costing the taxpayers a lot of money. “Instead of foreclosing, HUD sold the note to a private company for \$5 million and the company foreclosed on the property six months later, selling the complex for \$6.2 million – netting a \$1.2 million profit the government could have realized to offset part of the loss, foreclosure and HUD records show.” (Kane, 2015) In this case, both the government and the landlord were at fault. The government failed to foreclose on the property the first time, losing a large amount of money and also made a mistake after being falsely convinced by the landlord that the property was worth much more in value than what it truly was. These instances of fraud are the prime example that government loan programs, such as those by the Housing of Urban Development, are known for their continued loans to business people across the nation that do not necessarily care about taxpayer money or the law.

Are there safeguards to prevent fraud? What are some of the regulations in place to deter instances of fraud?

The large amount of frauds uncovered in research lead to the question of whether there are safeguards in place to help prevent fraudulent acts and what exact regulations are currently in place to assist in the deterrence of fraud in the public housing system. One of the first modern safeguards was put into place when the United States Department of Housing and Urban Development created the Operation Safe Home in 1994 as public housing fraud became more known and presented a high risk to both the public housing programs and the residents in public housing. The operation began inspecting public housing authorities, discovering fraud and corruption in many of the administrations of the programs through audits. These audits,

completed yearly, continue to uncover public housing fraud across the country (Office of Inspector General).

Despite the audits being conducted, a large issue involving safeguards and regulations to deter fraud is that the Housing of Urban Development only requires that families meet the qualifications for public housing assistance when first applying for the program. HUD does not set a limit for how long the families can remain eligible (Harrington, 2015). HUD also fails to do routine checks to make sure families are still meeting the qualifications to remain in the program, showing no desire to kick out over income families. HUD policies at the moment do not require that over income families be forced to leave their public housing apartments (Rein, A family in public housing makes \$498,000 HUD wants them to stay., 2015). “The information you provide on housing assistance applications and recertification forms will be checked. The local housing agency, HUD, or the Office of Inspector General will check the income and asset information you provide with other Federal, State or local governments and with private agencies. Certifying false information is fraud.” (HUD, Applying for HUD Assistance? Think About This... Is Fraud Worth It?, 2005) Despite this regulation that is in place, recertification forms often fail to require that families who are no longer eligible for housing assistance be forced to leave the public housing system.

A general regulation is that “HUD sets the low-income limits at 80 percent and very low-income limits at 50 percent of the median income for the local areas.” (Rein, A family in public housing makes \$498,000 HUD wants them to stay., 2015) But when these families who are in the public housing system become over the income limit, there is so safeguard or regulation in place to force their eviction from the system. Fortunately, in August 2015, due to severe backlash, the Department of Housing and Urban Development began urging public housing

authorities across the nation to kick out residents who are over-income and still receiving government subsidies (Rein, After criticism, HUD says it's trying to give the boot to public housing families who earn too much money, 2015). It is noted that, despite HUD receiving backlash for not kicking the residents out, there are people across the country who find it is immoral to kick out residents from their public housing even if they are suddenly ineligible to continue participation in the government program.

Another part of the safeguards and regulations to deter fraud are that HUD employees and respective public housing system landlords are supposed to be making commitments to prevent fraud and are expected to immediately address any fraud or unethical issues the moment they arise. Fraud awareness is also highly encouraged (HUD, Fraud Prevention, 2005). Actions taken against those who commit or attempt to commit fraud to obtain housing assistance from the Housing of Urban Development now include eviction, with requirement to pay back any housing assistance received over qualification limits along with fines of up to \$10,000. There is also a chance to be imprisoned for up to five years, with disqualification to receive any future housing assistance and then being subjected to individual state and local government punishments (HUD, Applying for HUD Assistance? Think About This... Is Fraud Worth It?, 2005). There are times in this research when it seems apparent that auditors and government investigators of the public housing system are the only people in the cases who want to put a stop to the enormous amounts of public housing fraud in this country. "Fraud prevention and the fight against fraud cannot be left to the auditors and investigators alone. Management must make a positive commitment... Fraud can be reduced, but not wholly eliminated, by hiring honest people and establishing good personnel policies and procedures." (Office of Inspector General)

Management has long been a significant problem for public housing developments all across the

country and will more than likely remain a huge issue (Schill, 1993). If management can help the government to ensure there are more safeguards and regulations in place, the amount of fraud in the public housing system has the chance the decrease over time.

Have the instances of fraud increased or decreased in the last 10 years?

The implementation of safeguards and regulations to decrease the instances of public housing fraud can only be so effective in the current forms of fraud and the instances of fraud which seem to be always increasing. Over-income residents in public housing at the moment only represent about 2.6 percent of the public housing system, but that number is expected to rise (Rein, A family in public housing makes \$498,000 HUD wants them to stay., 2015). Fraud and abuse of housing subsidies had huge scandals in the 1950s, 1970s and especially in the 1980s. The 1980s saw massive scandals involving HUD's issue of mismanagement that ended up costing tax payers billions of dollars due to higher up employees using their coveted positions with HUD for personal gain (Edwards & DeHaven, 2009). The issue with public housing authorities mismanaging themselves and improperly handling taxpayer money granted to them through federal subsidies has been an issue for decades and is expected to be a continuing issue in the next ten years. The problem will continue because HUD rarely stops giving federal subsidies all together to these housing authorities (Edwards & DeHaven, 2009) thus enabling them to continue to commit fraud and unethical acts with tax payer money. "A *USA Today* article counted 61 PHAs (public housing authorities) that received funding from the 2009 federal stimulus bill despite repeated financial mismanagement." (Edwards & DeHaven, 2009)

Specifically, Dakota County, Minnesota, has seen an increase in fraudulent cases for public housing fraud in the last ten years. The Dakota County Community Development Agency reported there used to be only two percent of all public housing cases in the county having

instances of fraud, with that number expected to be rising as time goes on (Powell, 2010).

Although public housing fraud has been ever present since the government program initially started, it seems that as safeguards drop off, regulations become more relaxed, and the federal government and housing authorities' lack of care to recertify people in public housing will only continue to provide the opportunity for public housing system fraud to continue to increase. The ever increasing amounts of research and large instances of public housing system fraud becoming known to the public are definitive evidence that instances of fraud in the public housing system have increased over the last 10 years, and it is predicted that the fraud will continue in its upward path.

Are there more cases of fraud in certain states than in others?

The widespread fraud and increasing amounts of it in the public housing system leads to the question of whether there are more cases of fraud in certain states than in other states. Omaha and Oxford, Nebraska were cities with instances of fraud that were investigated, along with many other states including Maryland, Miami, New York City, Colorado, California and Minnesota. It does not seem apparent that there are more cases of fraud in one state than there are in other states. However, it is very apparent that the most favored type of fraud appears to be residents of the public housing system that continue to live in public housing despite making large amounts of annual income over the threshold. Texas, New York and Puerto Rico were found to have the most over-income families in public housing according to a study conducted in 2014 and 2015. The same study uncovered that Wyoming, Utah and Idaho had the least amount of over-income families residing in public housing (Rein, A family in public housing makes \$498,000 HUD wants them to stay., 2015).

What can be done to fix any instances of fraud in the public housing sector?

With all the research on the instances of fraud across the nation, the question of what can be done to fix this monumental issue needs to be addressed. The managers of public housing complexes, the landlords, the property management companies, the government, the residents and the taxpayers all need to take a stand against this fraud and all can help to fix the issue.

“...managers can create, adopt and implement a comprehensive Fraud Policy that can be easily understood by tenants and employees.” (HUD, Fraud Prevention, 2005) This Fraud Policy needs to contain a policy statement, policy scope, confidentiality statement, authorization for investigation, consequences for any fraudulent actions, due process clause and finally, fraud reporting requirements. However, managers should keep in mind that “A Fraud Policy is not intended to cover administrative matters such as time and attendance problems or minor acts of insubordination. Such matters should be resolved within the Public Housing Authority....” (Office of Inspector General).

It is also important that managers ensure that every low-income/multi-family housing apartment complex has employee procedures to follow, describes these procedures for renters, and let the renters know their rental restrictions, pet policies and maintenance responsibilities. Then, it is important that managers have a set company or person to perform any possible maintenance repairs, following up with all tenants to make sure that all repairs were properly completed and paid for. This could hopefully prevent many renovation frauds in the public housing system between the property owners and the repair companies (Assad, n.d.).

However, there can only be so much to fix instances of fraud if there are current laws in place that should not be broken. “HUD’s leverage to force housing authorities to evict higher-earning tenants is limited by current law: Families can stay as long as they want, no matter how

much money they make, as long as they are good tenants.” (Rein, After criticism, HUD says it's trying to give the boot to public housing families who earn too much money, 2015) This issue could be fixed by charging families whose incomes are rising, higher rents, a decision that was suggested by HUD but is ultimately decided upon by the individual state public housing authorities. HUD is also working with Congress to enact legislation that would encourage over-income residents to leave public housing on their own or be subjected to flat rent rates when their income rises – these changes are expected to take affect within the next three years.

There are also ongoing acts to help solve the problem of landlords and others trying to use government monies for personal gain. Housing Secretary Andrew M. Cuomo has partnered with the Justice Department to efficiently “...search out landlords who are diverting money for their personal use and cheating tenants...” (Janofsky, 1997) This partnership has led to action being taken in the years since, against public housing landlords who have caused problems with fraudulent acts. The Department of Housing is continuing to take steps to make it even more difficult for landlords to participate in fraudulent activities in public housing along with making it more difficult for any fraud to be hidden. “These measures include asking Congress for legislation that makes it harder for landlords to declare bankruptcy to delay or elude Federal action against them...” (Janofsky, 1997). A measure has also been taken to enact harsher penalties across the nation for landlords who commit fraudulent activity and the defrauding of taxpayer monies, taking what used to be considered civil cases and turning them into strictly criminal cases.

Education can also be an effective way to help fix instances of fraud and prevent further fraud cases from occurring. “To combat fraud in HUD’s programs, managers should notify and educate employees and tenants as to what may constitute fraudulent activities.” (HUD, Fraud

Prevention, 2005) Managers of public housing should set controls within their offices to not only actively prevent fraud, but also enact measures to become immediately aware of any fraud or unethical issues that arise. Those who are neither employed by, or own, any property in the public housing system or are employed by HUD should know that criminal activities and unethical issues will not be tolerated; thorough investigation and judicial action against criminal acts will proceed (HUD, Fraud Prevention, 2005).

Another suggestion to help fix any instances of fraud in the public housing system is that housing authorities could take similar actions to those of Dakota County in Minnesota, where the applications for public housing assistance have been stopped. The waiting list is backed up three to five years and stopping new applications can allow the Community Development Agency to go through the applications and determine what families really are qualified and what families are just attempting to commit acts of fraud or are applying for public housing under fraudulent intentions. “The U.S. Department of Housing and Urban Development asks the local agencies that administer the benefits to close down applications when there’s no reasonable chance of reaching people within the next few years....” (Powell, 2010)

Closing Thoughts

The public housing system has been a government program for many years since the 1870s and became widely known in the media during President Ronald Regan’s time in office. The public housing in this nation has continued to grow as the years go on, moving from the major cities of New York and Chicago to the smaller cities throughout all of the states. The negative stigma that surrounded public housing is slowly diminishing as a place for just the poor individuals of certain races and is becoming widely criticized for the increasing amounts of fraud taking place within the system. The public housing system relies heavily upon tax payer dollars,

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something that the federal government should not take lightly and should closely control how the money is dispersed. The issue of fraud in public housing leads to investigating how widespread the issue really is, how long some of these schemes have been occurring and how long until things finally end. Another growing issue is how to end the fraud cases once and for all. Again, no accusations in this thesis are being made, theories are just simply being investigated to inform readers of just how large the amount of fraud in the public housing system has become.

Just how widespread the issue of fraud was across the nation was astonishing. There were many cases all over the country where fraud had been committed, and the criminals were caught. These instances of fraud were committed by the residents, landlords, property owners and government officials alike. Residents of the public housing system can make false claims to receiving housing assistance including under stating their income, over stating family size and altering official documents with the sole intent to commit fraud. There were also fraud cases where an additional roommate was living in the house, without reporting their additional income, allowing residents to steal a large volume of subsidized money from the government. The Public Housing Authorities themselves can be partly to blame for the fraud cases across the nation, as the authorities are not well known for their management skills in the money department and have many times been accused of wasting resources. There have been HUD employees who have participated in bribery, bid rigging and kickback schemes. Property owners have been found to be overstating their construction costs in order to receive more government subsidies, one of which was a scheme lasting for five years and stealing upwards of \$30 million from the government in public housing subsidies.

The biggest fraud scheme appeared to be where residents were staying in their public housing apartments while making, in some cases, over \$80,000 a year over what the income

limits were to remain eligible for the program. The biggest contributor to this problem is that HUD does not require residents to leave the public housing system once they make more than the income limits, as long as they are good tenants and were fully eligible when first applying for public housing. Residents who have committed such schemes have included wealthy families in Los Angeles, a millionaire in Nebraska, multiple families in West Palm Beach, Florida and over sixty families in Baltimore Maryland.

The widespread issues of fraud led to the question of whether there were safeguards in place to prevent fraud and regulations to help deter fraudulent cases in the public housing system. There did not seem to be many other than the standard yearly audits and requirement to meet qualifications to reside in public housing in the first place. The qualification requirement does not hold up as a strong regulation when there is no law in place to kick out residents once they are no longer eligible for housing assistance. After receiving backlash, the Housing of Urban Development is now working toward getting residents who are no longer eligible out of the public housing system, many times hoping to push the residents to leave the system on their own accord. The fight against fraud cannot be left up to the auditors by themselves, there need to be more regulations and safeguards put into place.

Having more safeguards and regulations in place could help deter the fact that instances of fraud in the public housing system appear to be increasing within the last ten years, with projections to continue to increase until something is done about the problem. Although the fraud has been around for years it seemed that 2015 was a big year for fraudulent cases to be brought forward to the media. The question of whether there were more instances of fraud in some states compared to others did not provide much evidence. The results were inconclusive to prove if any of the fifty states had more fraud than the other states combined, it was just discovered that

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Texas, New York and Puerto Rico had more instances of over-income families remaining in the public housing system than any other states.

Lastly, there are many things that could be done to help fix these issues of fraud. Managers can create and implement Fraud Policies, residents can be properly informed of what exactly is fraud on their part and how to legally be in the system and HUD could get Congress to pass legislation to encourage over-income residents to leave the public housing system once and for all. There are also steps that are going to be taken to make it more difficult for landlords to participate in fraud activity and make it more difficult for fraud to be hidden, including enacting harsher penalties across the nation for those who commit fraud in the public housing system.

In closing, it is important that everyone across the nation be informed of the widespread issue that is fraud in the public housing system. Managers, residents, landlords, property management companies, government employees and tax payers alike could band together to help combat instances of fraud and get the public housing system clean again in this country. When public housing fraud is committed, the tax payers suffer, but the individuals who receive public housing assistance suffer the most. Tax payer money is wasted and people who need housing assistance may not be able to get it, or may have it taken away from them if properties are foreclosed on due to fraudulent activity. This study was inspired by a busy season internship with an Audit Firm in Carmel, Indiana and could be applied to all auditors across the nation who work with the public housing system. The study could also be applied to any accountants and others who are involved, or are residents of, the public housing system in America. It is time this fraudulent filled government program be fixed, to better this nation and create a better usage for precious tax payer dollars.

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